



The score so far:
Wendy's 1, Herb 0

Schoifet On Marketing/Page 10

BK to roll out
'chicken finger

March date set/Page 3

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Telberg On Finance/Page 66

Nation's Restaurant News®

The Weekly Newspaper of the Food-Service Industry

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January 1, 1986

Gloves come off in '86 market-share battle

Challenges face indys, chains

By Joe Edwards

An already fierce battle for market share will intensify in most segments this year as chains and independents fight to avoid what many experts see as an impending shakeout,

Special Forecast & Trends section begins on page F1

according to *Nation's Restaurant News'* annual Forecast and Trends report.

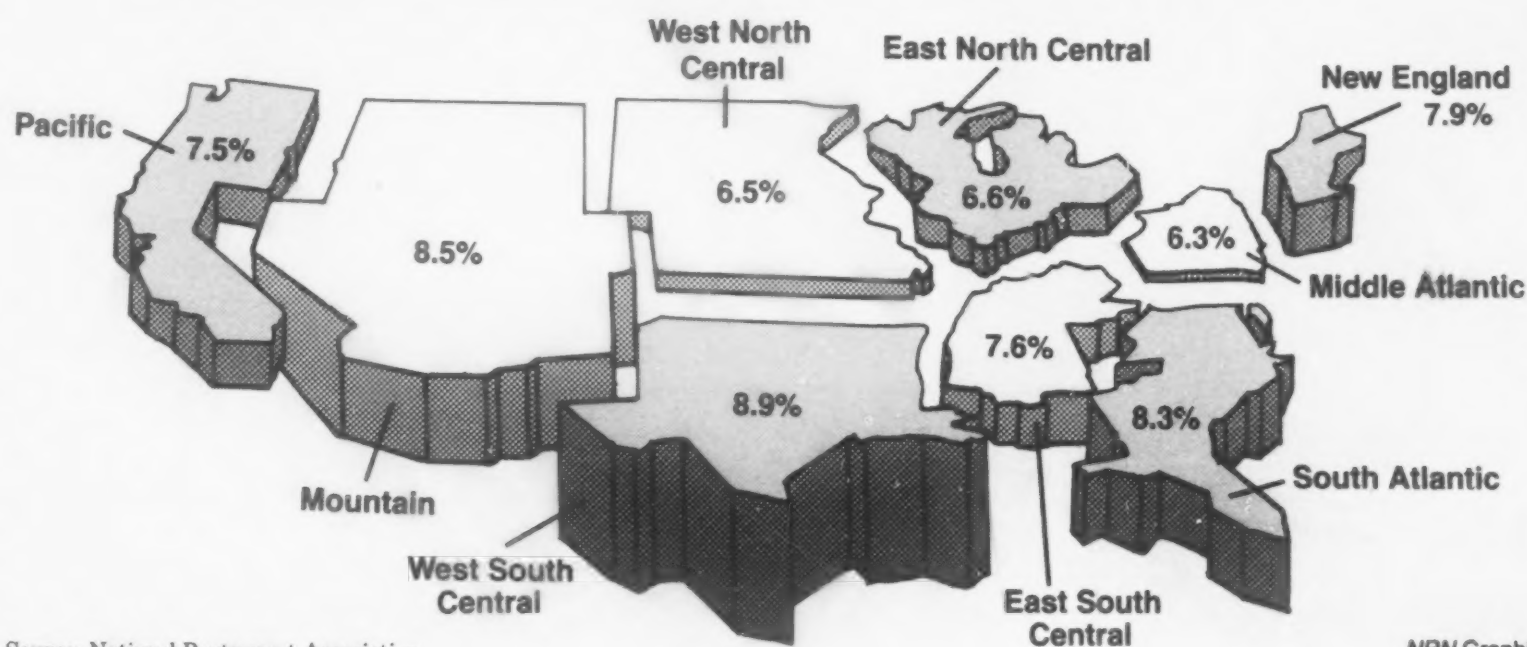
Chain operators will fight eroding customer counts with massive advertising expendi-

tures, a host of new product rollouts, unit remodeling and stepped-up reliance on discounting to maintain sales volumes. Casual-theme and full-service restaurants, two groups hardest hit by a falloff in liquor consumption, will revamp their menus and add new bar foods and nonalcoholic specialty drinks.

Independent operators, especially those with high-ticket restaurants, will add more ethnic foods, roasted and grilled items, regional American and New California dishes

(See **FIGHT**, page 4)

PERCENTAGE CHANGE IN SALES BY REGION, 1985-1986



Source: National Restaurant Association

NRN Graphic



Joe Baum at the bar in Aurora.

Baum's new eclectic creation: Aurora

By Paul Frumkin

NEW YORK — Joe Baum, the man who created such landmark restaurants as the Four Seasons for Restaurant Associates and Windows on the World for Hilton International, has finally embarked on his own long-awaited venture, Aurora.

After nearly two years in the planning and an investment of "well over \$1 million," the 125-seat operation—characterized by Baum as "an elegant bar-room restaurant" with an eclectic menu—opened quietly last month in midtown on the site of the defunct

Cowboy restaurant.

According to Baum—who has been active as a restaurant consultant since 1970—the low-key opening was intended to give the staff a month or so to work out some of the operational kinks before the crowds began to line up. But his longstanding reputation as a restaurant innovator fired up Manhattan's overactive dining public, and within a week, *The New York Times* was referring to Aurora as "New York's newest, hottest place to wine, dine and be seen."

Dennis Sweeney, one of Aurora's

principal owners, along with Baum, Arthur Emil and Michael Whiteman (Sweeney and Whiteman are also partners in Baum's consulting business), explained that they had attempted "to break in logically and gently by limiting the number of reservations."

But, Sweeney added, the opening of Baum's latest creation "generated a lot of interest almost immediately. We had people coming in who said things like 'I was one of Joe Baum's biggest customers at the Newarker or the Forum [of the Twelve Caesars] or Win-

(See **AURORA**, page 63)

Old-time religion guides Chick-fil-A

Bible sets tone for Cathy

By D. M. Levine

ATLANTA — S. Truett Cathy insists the best management book in the world is *The Bible*. He should know. He has made millions following its precepts.

Cathy, 64, is a soft-spoken Sunday school teacher who is president and sole owner of Chick-fil-A Inc. the 315-unit, \$165 million (annual sales) chain of fast-food chicken restaurants that has been slowly spreading across the country since its humble beginnings here nearly 20 years ago.

"We do things slowly, deliberately, with attention to Christian principles, which have guided us to success," said Cathy in a recent interview at corporate headquarters—a sleek, futuristic steel-and-glass building, surrounded by 75 heavily wooded acres.

Cathy is something of an anomaly in the fast-paced fast-food business, which seems to be dominated by itinerant executives, drilled in



S. Truett Cathy at the counter.

management and marketing theories, looking for the big score.

"This is a company built in the Southern tradition of religion," noted Don Perry, Chick-fil-A

(See **CATHY**, page 16)

Grace moves may fuel restaurant expansion

Company sells off retail operations

By Rick Telberg

NEW YORK — W. R. Grace & Co., which plans to sell its retail operations to fund a massive stock buyback, is poised to step up development of its huge restaurant business, Wall Street observers said.

"This means more money for restaurant acquisitions," said Donald Pattison at Cyrus J. Lawrence brokerage in New York. "Five years ago retailing and restaurants were supposed to be the company's big growth areas. Retailing didn't work out. But Grace has a thing for restaurants."

The specialty chemicals

manufacturer, headed by flamboyant chairman J. Peter Grace, is buying back a 26% block of shares for \$596 million from West Germany's largest bank, Deutsche Bank A.G., which acquired the stock while buying the Flick Group, a West German industrial concern with close ties to W. R. Grace.

Analysts said W. R. Grace was forced into buying back the stake rather than permitting Deutsche Bank to liquidate the holding and having them pass into the public markets, which would have made W. R. Grace vulnerable to an unfriendly takeover.

(See **GRACE**, page 63)

NRN LATE NEWS DIGEST

Insurance rates going way up

WASHINGTON — The average cost of liquor liability insurance rose 110% in the last 12 months, according to a Gallup survey of 304 restaurant owners and managers conducted for the National Restaurant Association.

The average premium paid is \$39,555 for the current fiscal year, the survey said. Seventy-nine per cent of the operators surveyed said they carried liquor liability insurance, and of those 69% reported increases in premium rates, despite the fact that 91% of them said they had never been involved in a liquor liability lawsuit.

Disney park planned for Paris

PARIS — Walt Disney Productions said it is seeking investors for its Euro Disneyland theme park that will be built in Marne-La-Vallee, a planned community 20 miles outside Paris. The site was chosen from among 200 in France and Spain evaluated during the past year.

Michael Eisner, Disney chairman and chief executive, said the company would seek qualified investors from France and other countries to form the Euro Disneyland owner company in which Walt Disney will be an equity investor. Eisner said the park would open in late 1990.

Universal group has been sold

DALLAS — Universal Restaurants, operators of The Old Warsaw, Mario's, Arthur's and Les Saisons restaurants, has been acquired by Walker Harman, head of Metro Hotels, and Albritton Development Co. Harman named Jean Claude Prevot as culinary consultant for the four restaurants, all of which are *Travel/Holiday* award winners.

Valenza starts up new venture

NEW YORK — Frank Valenza, who 12 years ago opened the now-defunct Palace restaurant here, has opened Buona Tavola, an Italian restaurant at 237 East 58th St. in association with Nino and Bruno Selimaj.

Gross exits from Taco Viva

BOCA RATON, Fla. — C. N. Gross has resigned as president of Taco Viva, a 79-unit fast-food chain that unsuccessfully attempted a merger with W. R. Grace's Taco Villa subsidiary last year. Taco Viva founder and chairman J. Brion Foulke has assumed Gross's responsibilities.

McCarty, Schmidt join forces

DENVER — California restaurateur Michael McCarty, owner of Michael's in Santa Monica, Calif., has teamed up with Jimmy Schmidt, formerly executive chef at the London Chop House in Detroit, to open a 14,000-sq.-ft. restaurant here called The Rattlesnake Club.

The restaurant, which occupies the first three floors of the newly redeveloped Tivoli Brewery in downtown Denver, is serving lunch, dinner, weekend brunch and high tea, and it will feature Schmidt's highly regarded brand of new American cooking.

Chairman of Calny dies at 80

SAN MATEO, Calif. — Virgil D. Bardi, chairman of Calny Inc., died at age 80 shortly before Christmas. A successor has not been named. Calny is the largest Taco Bell franchisee.

WALL STREET UPDATE

Index continues rally, hits 138.7

NEW YORK — The *Nation's Restaurant News* Food Service Operators' Stock Index continued to rally in the week ended Dec. 13, gaining 1.1 points to close at a record 138.7. Winners outnumbered losers almost 2 to 1.

(Full report and tables, pages 64-65.)



Leatherby files for Chapter 11

Franchising operations under fire

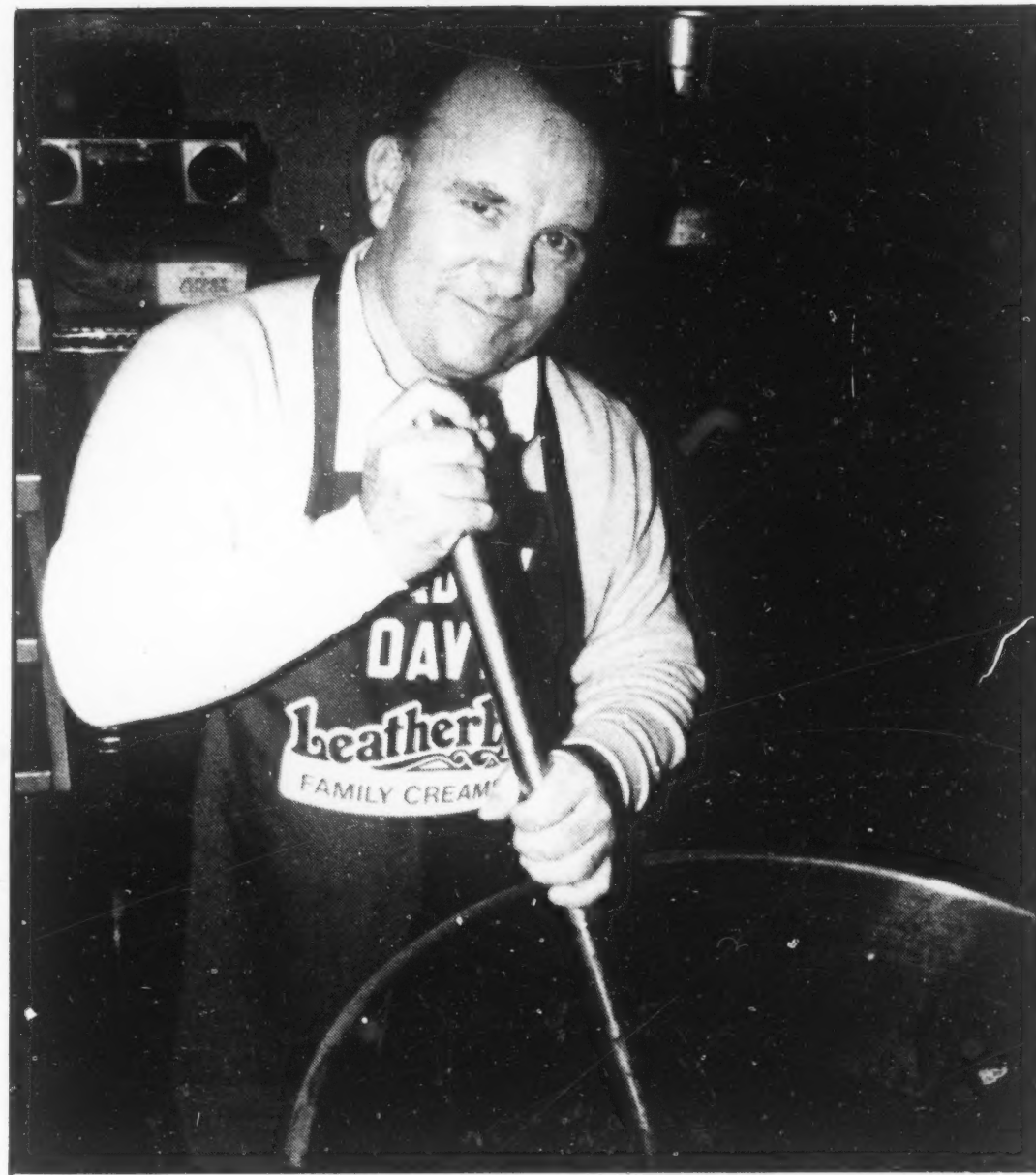
By Alan Liddle

SACRAMENTO, Calif. — Leatherby Marketing Inc., the franchising arm of Leatherby Family Creameries, a 21-unit premium ice cream concept with "super parlors" seating 125 to 350, has filed for Chapter 11 protection from its creditors and closed two stores.

Officials said the company became financially strapped after it was forced to assume eight costly leases and half of its franchisees fell behind in royalty payments. It sought Chapter 11 protection on Nov. 27, they said, after franchisees whose Arizona unit sued for breach of contract failed.

In an unrelated development, the company has notified its largest franchisee, which operates three units in Stanton, Canoga Park and Orange in southern California and another in Reno, Nev., that it has terminated its licensing agreement for failing to follow its provisions. Roger Caron, a representative of the franchisee group, could not be reached for comment by presstime.

All but one of the 21 parlors



NRN Photo

Leatherby founder David Leatherby Sr. said an overzealous expansion policy has hurt the company.

now operating are franchised by Leatherby Marketing Inc., or LMI, which opened in June 1983. The lone company unit is the "mother store" the Leatherby family established on Arden Way in Sacramento in August 1982.

In addition to the Arden Way parlor, the family has an interest in several of the franchised units and owns 80% of LMI.

As of Dec. 4, only 7 of 14 franchisees were current in (See *LEATHERBY*, page 60)

Congress leaves industry hanging

Breaks for holidays with key legislation unresolved

NRN Washington Bureau

WASHINGTON — Congress adjourned for the holidays late last month, leaving a number of major bills of concern to the food-service industry in legislative limbo.

In addition to President Reagan's tax "reform" initiative—which remains a big question mark for 1986—Congress also postponed until this year a final decision on the fate of the Targeted Jobs Tax Credit program.

Among the other key measures hanging loose until the House and Senate return to work in the new session:

- Immigration reform legislation setting federal penalties for restaurateurs and other employees who knowingly hire illegal aliens. Restaurant

industry lobbyists spent much of last year attempting to soften the impact of that proposal for food-service operators. Now their strategy could shift to more strident opposition as prospects for enactment of immigration reform fade as the 1986 Congressional elections draw closer.

- The "Malt Beverage Interbrand Competition Act"—a flagrantly misnamed bill that could wipe out price competition among beer wholesalers by forcing restaurants and taverns to purchase only from a single "authorized" distributor. Critics of the proposal—including state and federal antitrust enforcers, consumer groups, supermarket retailers and restaurant leaders—are concerned that beer prices

will rise dramatically if the legislation wins Congressional approval.

- Polygraph restrictions prohibiting food-service operators from requiring or even asking employers to submit to lie detector exams. The House is expected to vote on a nationwide polygraph ban early this year.

- Trucking deregulation advanced by the Reagan administration to eliminate the remaining federal rules governing motor carriers. Although the bill figures to reduce freight costs for food-service operators and their suppliers, its opponents within the trucking industry are already mapping plans to derail the legislation.

Senate gets meal-tax controversy

NRN Washington Bureau

WASHINGTON — After heavy political pressure from President Reagan, the House of Representatives approved by voice vote a sweeping tax reform bill that contains a controversial provision eliminating 20% of the tax write-offs businessmen take for restaurant meals.

The measure, engineered by House Ways and Means chairman Dan Rostenkowski (D-Ill.), in concert with the Treasury Department, was sent to the Senate, where the administration hoped some business tax breaks could be restored.

The tax bill has split the industry's top trade groups, with the Food Service and Lodging Institute, which represents major restaurant and hotel chains, supporting the legislation for its lowered overall corporate tax rates, and the National Restaurant Association (NRA),

which represents independent operators, opposing its restrictions on business entertainment.

The Food Service and Lodging Institute, while backing the overall tax bill, has pledged to support the NRA in striking down the expense-account limitations.

In addition to reducing the tax allowance allowed businessmen for restaurant entertainment costs to 80% from 100% deductibility, the tax bill eliminates investment tax credits, lengthens depreciation schedules and cuts the top corporate tax rate to 36% from 46% of operating profits.

NRA officials assert that in the House's race to keep tax reform alive, legislators unwittingly extended the limitation on expense-account deductions to apply to meals consumed by businessmen while traveling, instead of merely ap-

(See *TAX*, page 63)

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What's Hot In . . . NEW YORK

Vital Statistics:

Population: 7,071,639
Per-Capita Income: \$12,874
Unemployment Rate: 6.6%

A selective listing

Name of Restaurant, Address, Phone, Seating	Owner, Executive Chef	Type of Cuisine, Entrée, Price Range, Signature Items	Date Opened
Alo Alo 1030 Third Ave. 212-838-4343 94 seats	Dino DiLaurentis and Ricardo Ameral Franco Antonucci, chef	Northern Italian \$9.50-\$18 Steamed Salmon with fresh tomatoes, \$15	March 1985
Albuquerque Eats 1470 First Ave. 212-734-1600 130 seats	Ark Management Bill Lalor, chef	American Southwest \$6.95-\$13.95 Whole chicken in banana leaves, \$10.95	October 1984
Arcadia 61 E. 62 St. 212-223-2900 60 seats	Anne Rosenzweig and Ken Aretsky Anne Rosenzweig, chef	American \$45 fixed price Roast chicken with braised leek sauce	December 1984
Arizona 206 206 E. 60 St. 212-838-0440 55 seats	Joseph Santo Brendan Walsh, chef	American Southwest \$15-\$18 Venison Black Bean Chili, \$18 Lobster chayote powder with Poblano chili, \$17	September 1985
Aurora 60 E. 49 St. 212-692-9292 125 seats	Joseph Baum Gerard Pangaud, chef	Eclectic \$25-\$32.50 Lobster with ginger, lime, Sauternes, \$32.50	December 1985
Bud's 359 Columbus Ave. 212-724-2100 90 seats	Jonathan Waxman and Melvin Master Jonathan Waxman, chef	American \$18-\$25 Red Snapper in parchment paper with grapefruit sections, \$20	August 1985
Canastel's 229 Park Ave. S 212-677-9622 200 seats	Mark Packer	Northern Italian \$8-\$23 Pastas, veal chicken, fish	April 1985
Le Régence—Plaza Athénée 37 E. 64 St. 212-606-4647 84 seats	Trusthouse Forte Daniel Boulud, chef	French \$47.50 fixed price Sautéed calf sweatbreads with paprika sauce	October 1984
Maxim's 650 Madison Ave. 212-751-5111 200 seats	Pierre Cardin Patrick Pinon, chef	French \$65 fixed price Salade Royale Selle d'Agneau belle Otero	November 1985
Playboy Empire Club 515 Lexington Ave. 212-752-3100 250 seats	Hugh Hefner Mitsuo Kikuch, chef	Eclectic Buffet only: \$14 per person Tapas, sushi, gourmet pizzas, Cajun dishes	November 1985
Positano 250 Park Ave. S 212-777-6211 140 seats	Bob Giraldo and Phil Suarez Luigi Celanto, chef	Northern Italian \$15-\$22 Risotto Pescatore, \$16	December 1984
Prima Donna 50 E. 58 St. 212-753-5400 200 seats	Howard Stein Richard Gaimaro, chef	Northern Italian \$7.50-\$20 Pizzettas, \$7.50-\$17.50	March 1985
Rosa Mexicano 1063 First Ave. 212-753-7407 94 seats	Josefina Howard, chef-owner	Mexican \$10.75-\$14.75 Enchiladas de Mole Poblanos, \$11.25 Pozole, \$11.25	July 1984
Sandro's 420 E. 59 St. 212-355-5150 80 seats	Tony May Sandro Fioriti, chef	Italian \$7-\$15 Sirloin of beef pizzaiola, Sandro's way, \$11 Striped bass with artichokes, \$14	March 1985
Woods Gramercy 24 E. 21 St. 212-505-5252 120 seats	Zeus Goldberg and Hans Bachler Steven Picker, chef	American \$14.50-\$21.50 Sautéed calf's liver with sherry vinegar, prosciutto, sage, \$16	May 1984

Buyers mull future of Fresher Cooker

By Howard Riell

LOUISVILLE, Ky. — Investors trying to purchase the ailing Fresher Cooker chain plan to broaden its market appeal, expand it slowly with company-owned units and possibly use it to purchase and develop other restaurant concepts.

Druther's president, Thomas Hensley, the major investor in the effort to purchase the 12-unit chain, said his plans may include using Fresher Cooker to buy one or more other chains, which he declined to specify. "There could be a lot of stuff for sale these days," he said. "We may be buying some and selling some. We'll have to look at the market."

Hensley added that Druther's would use Fresher Cooker's \$6 million operating loss at the time of its Chapter 11 filing as a tax write-off. "It wasn't a major attraction, but it was an attraction," he said.

The deal is expected to be finalized by Jan. 27, following a

decision from a bankruptcy court judge, Hensley said. The reorganization plan was originally filed on Nov. 6.

Depending on how current stockholders exercise warrants issued to them, Hensley would own between 51% and 85% of Fresher Cooker, he said. Other proposed investors include Fresher Cooker president and chief executive Frank Dwyer and the investment banking firm of J. J. Hilliard and W. L. Lyons.

Under the plan, Druther's would pay \$150,000 cash and another \$150,000 in administrative expenses over two years, according to Dwyer. Hilliard-Lyon would pay \$55,000 in fees and another \$50,000 in cash. Dwyer himself would buy stock and make an unsecured loan of \$70,000 to the company. He would remain in his current posts.

If all stock warrants were exercised, Dwyer said, the company could raise as much as \$1.38 million. Another se-

(See **BUYERS**, page 63)

Fight for market share will intensify during '86

(Continued from page 1)

and foods geared to "grazers"—customers who do not necessarily want a traditional meal.

A growing number of restaurants of all types will increase their efforts to attract two fast-growing groups of customers—working women and over-40 adults.

Consumer demands for convenience will drive most segments, particularly fast-food chains, which once again will outpace all other industry segments and the industry as a whole. Demands for convenience will also lead to a proliferation of carryout foods and home delivery, not only among fast feeders but at fancier restaurants as well. Many operators will also try to tap into the VCR market—consumers who stay home more often, watching movies in their living rooms.

Total industry sales will rise 6.6%, to nearly \$186 billion, according to National Restaurant Association estimates. Real growth will be about 2.8% after menu price hikes are subtracted.

Most prognosticators do not see any rise in restaurant operating costs, saying that food prices will jump only about 3% and labor costs will remain steady. No minimum wage increases are anticipated, and the national unemployment rate is expected to hold at about 7%.

However, a serious labor shortage in many areas of the country has already resulted in a *de facto* rise in the minimum wage, with some chains paying \$4.50 and \$5 an hour and more to hourly employees. If the labor shortage spreads, as many expect it will, labor costs at fast-food and other restaurants will

jump.

Meanwhile, many operators say they are paying more attention this year to reducing costly turnover in their hourly worker and unit manager ranks.

Operators who serve liquor will be straddled even more with huge increases in liquor-liability insurance premiums. Falloffs in the consumption of alcoholic beverages will continue to wreak havoc with some businesses, especially casual themers and other operations dependent on strong bar sales.

Meanwhile, debt-strapped consumers are expected to tighten their belts, at least in the first half of the year, which could result in a further erosion of customer counts and continued softness in overall sales.

Some cynics have suggested that a recession would be good for food service because it would force the demise of struggling operations that have made food service so competitive in recent years. While waiting for a shakeout, established chains will continue to use ads, promos, new products and couponing to maintain sales volumes even as customer traffic declines.

Commodities forecasters expect supplies of most goods to be more than adequate in 1986. Wholesale price hikes will be held to the inflation rate, which will continue at less than 5%. Beef production will be lower than in 1985 and beef prices will rise 3% to 5%.

Also having an impact on food service will be the shortened life cycle of restaurants. In 1986 many operators will be forced to redo their menus and decor and, in some cases, change the entire concept of their operations.

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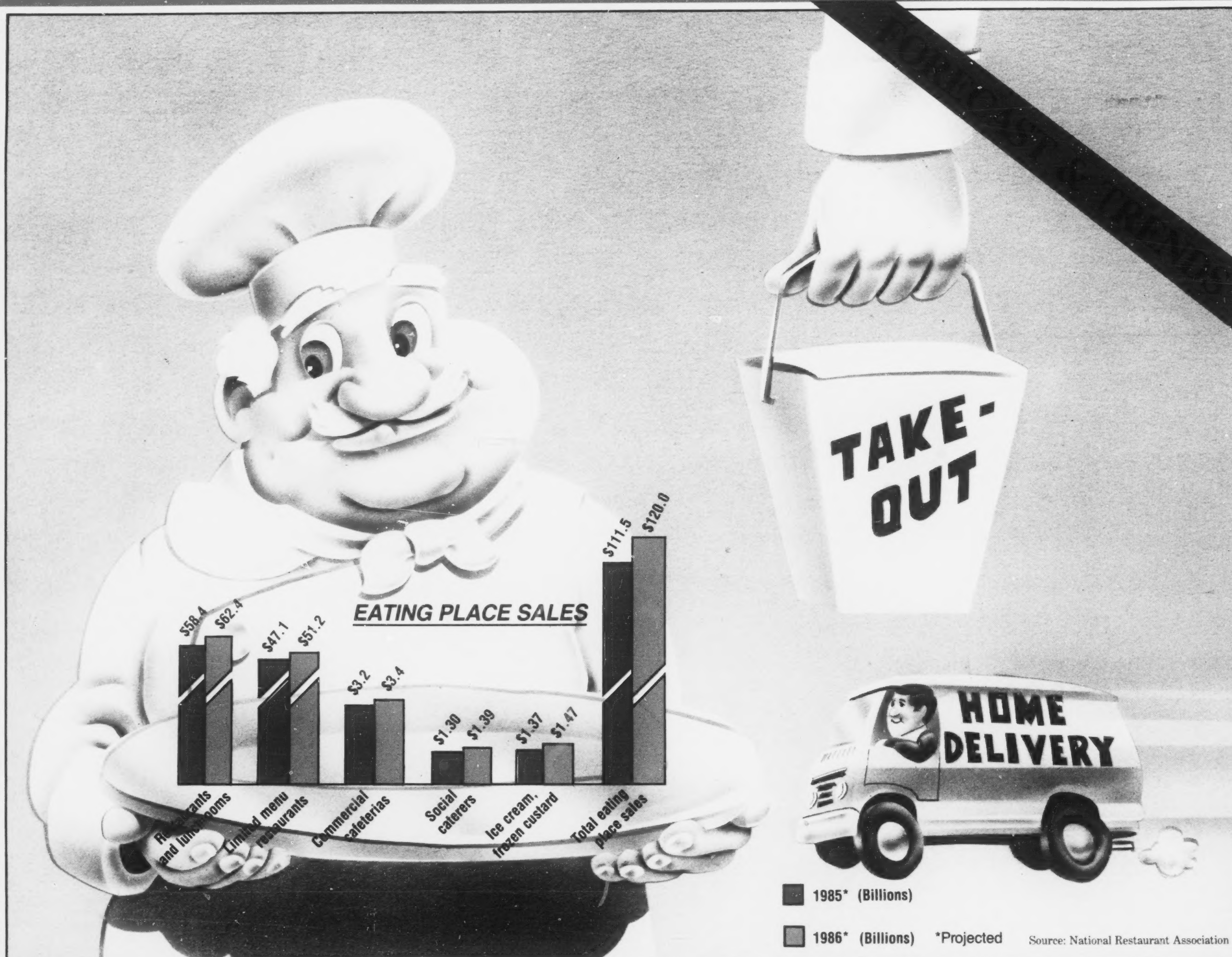
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January 1, 1986

Nation's
Restaurant News

FOCUS



WHAT'S AHEAD FOR 1986

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VIEWPOINT this week

The Ringer Hut Story

Rankin on Meal Cap

Hochstein's Wine Buys

FOCUS | NRA



FORECAST & TRENDS

Economic outlook: Sunny with a chance of clouds

By Rick Telberg

Forecasters are painting a relatively sunny picture of the business climate in 1986, but they warn that a broad range of economic and political imponderables make predictions unusually risky this year and that wide sectors of the food-service industry may be left out of an upturn.

"We have a bright, sunny forecast for the industry," asserted William Fisher, staff chief of the National Restaurant Association (NRA), when the trade group unveiled its predictions.

But most of the industry's growth this year will be concentrated among fast-food chains and full-service restaurants, while bars and taverns and most nonprofit institutions that run their own food-service outlets will be painfully retrenching, according to the association's forecast.

Even among Main Street restaurants, sales may grow, but profits could well lag.

"There are simply too many restaurants out there," declared Michael Culp, a restaurant industry analyst at Prudential-Bache Securities. "And that is impairing profits for the big operators, and it spells bankruptcies for the smaller ones."

In the particularly hard-hit casual-theme restaurant business, sinking liquor sales have undermined revenues and narrowed margins. "The number of people dining out remains flat," Daniel Scoggin, president of 100-unit T.G.I. Friday's, confided to his shareholders recently.

Wendy's, the nation's third-largest hamburger chain, was recently forced to admit it would fail to achieve the 20% earnings growth target it had set for itself only months before. Chairman Robert Barney complained of "increasing" and "intense competitive pressures."

Nevertheless, Wendy's, like a select few of the huge chains and companies, will probably post record sales and earnings in 1986. But for a host of

smaller chains and independently owned restaurants, 1986 could be remembered for more turnover than usual in an already volatile business.

The list of restaurant concerns and concepts that entered bankruptcy proceedings or were simply gobbled up by more muscular partners is long, including: A&M Food Services, Acapulco Restaurants, Naugles, Sweeney's, Casa Gallardo, Folks Restaurants, Kelly-Johnston, Peoples, One Potato Two. In the past year such giants as ARA Services, Denny's and Diversifoods have changed ownership.

"What this industry really needs is a recession to get rid of the ailing chains that are sapping the strength of the healthy ones," Pru-Bache's Culp said.

But overall, the NRA predicts that the nation's total food-service industry will raise sales volume by 6.6% this year, to a record \$185.8 billion. It would be the sixth consecutive year of growth, according to the NRA's calculations.

The 6.6% growth rate, which is unadjusted for restaurant menu price increases, would follow a surprisingly weak 5.9% gain last year and a booming 8.3% expansion in 1984.

After adjusting for inflation in restaurant menu prices, the NRA forecasts a 2.8% gain this year, a slight speedup from last year's 2.1% rate, but far shy of the 4% gain in 1984.

With a steady 7% unemployment rate and no minimum wage increase on the horizon, labor costs should be held in check, except for isolated pockets around the country where business development is outpacing residential development and sparking spot labor shortages.

Food costs, which declined 1.9%, as measured by components of the government's producer price index, might bounce up only 2.5% this year as the nation's farm crisis continues.

As a result, menu prices will be held to another round of 3.9% gains, according to the NRA, following a 4.1% rise in

FORECAST 1986: KEY ECONOMIC INDICATORS

(Annual Percentage Change)

	1983	1984	1985*	1986**
Real Gross National Product	3.7	6.8	2.5	3.1
Consumer Price Index	3.2	4.3	3.5	3.8
Disposable Personal Income	3.5	6.7	2.5	2.8

(Annual Average in Per Cent)

AAA Bonds	12.0	12.7	11.5	11.0
Unemployment Rate	9.6	7.5	7.2	7.1

Source: Blue Chip Economic Indicators, Sedona, Ariz.

*Estimate
**Forecast

1984. Analysts say restaurateurs will be under continued pressure to offer discounts, coupons and other specials to attract enough volume to hold margins.

Most economists expect the nation's real gross national product, the total output of goods and services, to accelerate to a healthy 3.1% annual growth rate this year, up from a relatively listless 2.5% in 1985.

But their forecasts, ranging from an explosive 5.1% real GNP growth rate to a recessionary negative 0.7% shrinkage, mark a near-record divergence of opinion.

"The wider the difference, the less certain the outcome," cautioned Robert Eggert, who polls 50 business forecasters every month to develop a consensus opinion for his Blue Chip Economic Indicators newsletter. The NRA bases much of its forecast on the Blue Chip consensus.

The imponderables that could affect the economy and the restaurant industry next year include the following:

- The Federal deficit, which last year hit \$211 billion. A balanced-budget bill that could call for draconian spending cuts was wending its way through Congress, but businessmen were not sure of the final outcome.

- The trade deficit, which has pumped up the value of the dollar. Although the dollar has retraced its rise since March, regions of the nation dependent on industries that compete with overseas manufacturers were still hurting.

- Tax reform, which would not only reduce overall tax rates but also eliminate 20% of the expense-account write-off for business-related dining.

- Consumer spending, which makes up two-thirds of the GNP. Consumers are leveraged up with debt and tapped out on spending for autos and appliances, so some analysts expect no big boost in restaurant sales until consumers recover later in the year.

"I don't think you will be able to count on the consumer," intoned John Langum, president of Business Economics, a Chicago forecasting firm that is one of the few predicting a recession this year.

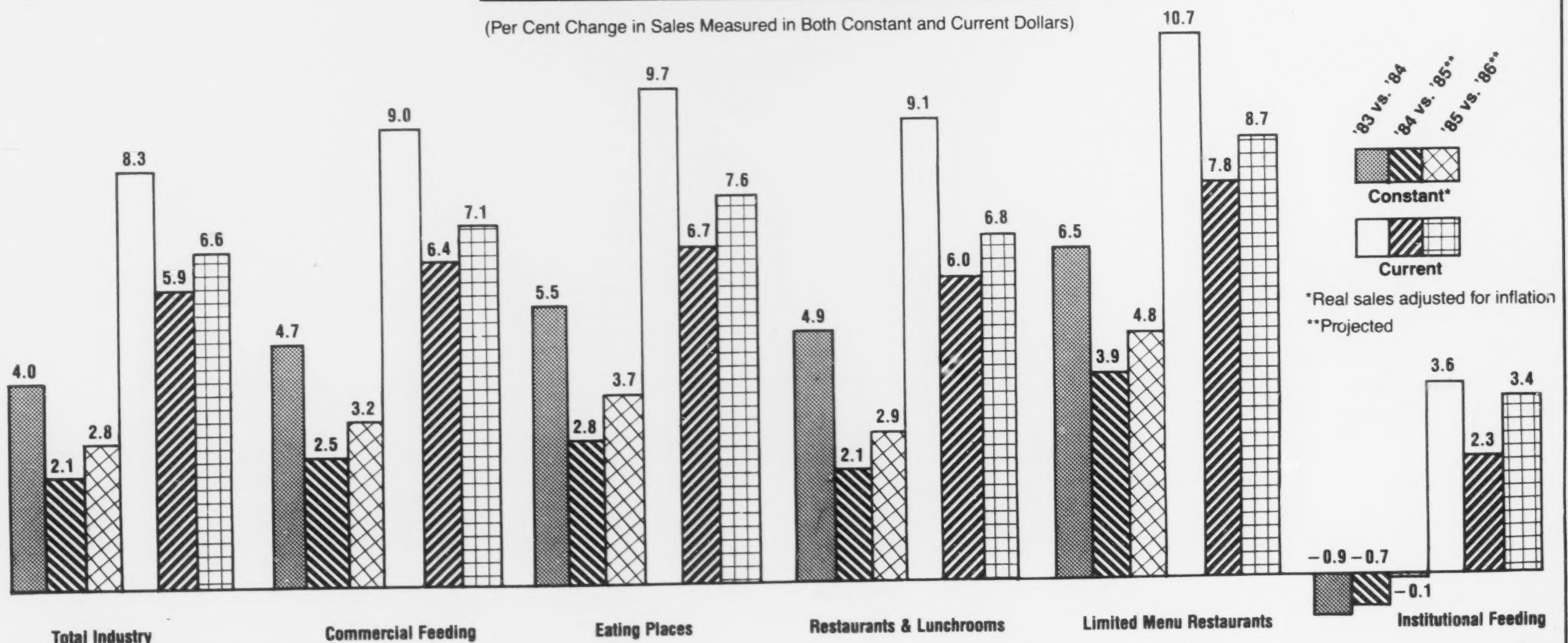
"The rate of personal income gains has been dropping. There's been a tremendous increase in consumer debt. And consumers are maintaining the lowest personal savings rate in maybe 20 years," Langum said. "It will be a year of major slowdown in the economy."

But most economists polled by Eggert see the kind of overall economic environment that spells moderate expansion for the restaurant industry: Disposable personal incomes will rise 3% this year, up from 2.8% last year, and interest rates, as gauged by AAA-rated corporate bonds, may ease to 11.0% from 11.5%.

But expansion, as many analysts note, could help sales at the expense of profits. One wag with a sense of irony forecast a year of "profitless prosperity."

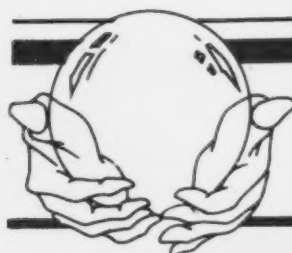
CHANGES IN FOOD-SERVICE INDUSTRY SALES

(Per Cent Change in Sales Measured in Both Constant and Current Dollars)



Source: National Restaurant Association

FOCUS | NRN



FORECAST & TRENDS

Few see end of trend toward lower liquor use

By Don Jeffrey

Restaurant and tavern owners say lower alcoholic beverage consumption has trimmed revenues while exorbitantly higher liquor-liability insurance premiums have depressed profits.

Those operators hope legislative and other remedies will ease the insurance crisis, but few are optimistic that the trend toward lower consumption will be reversed.

"The restaurant industry has to seize on the marketing of bar foods and nonalcoholic drinks in a very aggressive way," said Stanley Kyker, executive vice president of the California Restaurant Association. "I don't believe the consumers will move back from moderation for a while."

Operators are looking at their menus and new kinds of beverages for ways to make up for the lost revenues and merchandising those products in bolder, and sometimes innovative, ways.

New low-alcohol wines and beers and the nonalcoholic beverages known as mocktails are not big sellers yet, but some observers believe they will in time take hold with consumers increasingly concerned about health, nutrition and safety.

Some ways operators are emphasizing or merchandising their menus include introducing nonpeak-hour specials, expanding appetizer and dessert choices to attract the so-called grazers, who patronize more than one restaurant in an evening and substituting breads and desserts made on the premises for those bought from suppliers.

But the pessimistic reports from operators are not reflected in industry-wide figures—yet. Richard Conti of Laventhol and Horwath said a survey of full-service restaurants for the first nine months this year shows only a

slight decline in beverage sales in relation to total sales: from 25.6% last year to 25.3%.

But that is little comfort to Buddy LeFranc of the El Torito Mexican-restaurant chain, whose liquor revenue is down 6%, or to Cy Lanigan, owner of the once-popular Boston bar Molly's, whose business is off 40%.

A significant factor in the decline in liquor consumption at El Torito and Molly's is the current emphasis on curbing driving while one is intoxicated.

The adoption by states of tough new drunk-driving laws and higher legal drinking ages has kept many people out of bars or forced them to order fewer drinks.

At the same time, insurance companies, fearful of multimillion-dollar settlements of lawsuits arising from drunk-driving accidents, have demanded astonishing increases in premiums for liquor-liability coverage from bars and restaurants.

In New Jersey, where there have been big third-party liability awards, the numbers are staggering. Stan and Ollie's, a bar in Roselle, paid an \$800 liquor-liability premium last year; this year it is \$16,000. A North Jersey catering house paid \$12,000 last year but \$97,000 this year. The Manor, in West Orange, saw its premium rise from \$27,000 last year to \$156,000 this year.

"There's no way to make up these insurance increases," said Nancy Kelly, executive vice president of the New Jersey Restaurant Association. "That's what's depressing operators now."

Chains are also hard hit. On July 1, T.G.I. Friday's per-unit insurance went up 68%, a cost that contributed to a decreased third-quarter profit.

State restaurant associations are petitioning legislatures to pass laws lim-

iting liability awards and are educating members about responsible bartending and alternative drinks.

"But the insurance companies don't seem to give you any brownie points for taking the time to school your employees," said Jack Kozlak, owner of Kozlak's Royal Oak restaurant in Shoreview, Minn.

Minnesota has a tough third-party liability law and a requirement that all drinking establishments must carry liquor-liability insurance. To make things worse, only two insurance companies in the state will underwrite that coverage.

Kozlak said his liquor sales are down 5%. "Late-evening business is by the boards," he added. Customers are apparently shying away from having that extra drink before getting into their cars. To combat that 5% revenue loss, Kozlak has been merchandising desserts, such as sorbet and gelato made on the premises, and promoting alcohol-free beers and wines.

Michael Grisanti, owner of Mama Grisanti's and other restaurants, said that a new federally funded antidrinking program has been "absolutely devastating to the hospitality industry" in Louisville, Ky. The program provides 10 new patrol cars for stopping drivers who are suspected of being drunk. He said motorists who have not been drinking have been pulled over.

In Boston, where the legal drinking age just went up to 21, business "stinks," said Cy Lanigan, operator of Molly's bar. "I used to have a college crowd of 400 to 600 Friday afternoons. Now on a Friday afternoon, if I have 50 people I think I'm busy."

Adding a complimentary buffet near the bar has not helped encourage customers to come in and drink. "Everybody has it," Lanigan said.

What he is doing is spending more

than \$100,000 to renovate the place and give it a new image and emphasizing food more. A brunch and a name change are possible moves this year.

Sometimes local governments go further than the states in adopting restrictions on bars. In Sea Girt, N.J., townspeople recently voted to prohibit the sale of alcoholic beverages after midnight. In a town that has an influx of tourists in summer that is bad news for operators like Marty Horn of The Stadium Restaurant. Business is off 20% to 25% already, he said. Worse, profits are down significantly, because of the loss of liquor sales from midnight to 2 a.m.

What he and other Sea Girt operators are doing is bringing suit against the town to overturn the ordinance and finding ways to promote food.

Big chains that serve liquor, although they are not reporting the dramatic drop in sales of The Stadium Restaurant, are still struggling with the trends.

Buddy LeFranc, executive vice president of operations for El Torito Restaurants, said liquor sales are down 5% to 6%. Prices of drinks have gone up 6%, but that is merely to offset a hike in the federal tax on beverages.

El Torito is turning to newer drinks with better margins and to increased emphasis on the preparation and display of food.

A Margarita Light, with 30% less alcohol, has been introduced at El Torito, priced at \$2.25, 50¢ less than the normal margarita. The new drink is merchandised in part by the use of a drink stirrer that glows in the dark, attracting the attention of other diners.

And, believing that restaurants are the theaters of the 1980's, as many trend-watchers have stated, El Torito is putting on a show, with new exhibition kitchens and fancier dishware.

Glut of rooms leading many to down-scale food offerings

With last year's oversupply of hotel rooms likely to become a veritable glut in 1986, many lodging chains are planning to scale down the food-service operations of new properties to spend more money on other guest attractions.

"We're seeing more and more hotels minimizing their food and beverage operations," said Bjorn

Lodging Report

Peter Romeo



Hanson, a food-service analyst with Laventhol & Horwath, the hospitality consulting and accounting concern. "It used to be you had to have a specialty restaurant and/or a coffee shop. Now hotels are putting in vending or a single small multipurpose restaurant."

The new less-is-better food-service strategy of many full-service chains marks a radical departure from the trend of the last three decades, when hotels viewed their in-house restaurants as an important marketing tool. With the properties competing within a given segment offering similar rooms at similar rates, the hotels tried to differentiate themselves through the breadth and lavishness of their food-service operations.

Hyatt, for instance, bolstered its standing in the upper midpriced market in part by usually including a gourmet restaurant, a slightly more casual fine-dining place and an upscale breakfast outlet in most of its properties. The chain touted the food and beverage outlets in its mass-market advertising campaign.

But the first half of last year brought a 3.5% industrywide decline in hotel restaurant cover counts, according to Laventhol & Horwath. Yet the concept found that only 1.2% fewer travelers checked into hotels during that period, indicating that hotel restaurants lost a significant portion of what they once regarded as their captive market.

"People don't necessarily want to eat in hotel restaurants any more," said Albert Gomes, a senior principal with the accounting concern Pannell Kerr Forster. "Eating in a hotel restaurant used to be the coward's way out. Now people staying in a hotel want to go out to freestanding restaurants and experiment."

Hyatt now plans to spend \$750 million to build at least 40 smaller-sized hotels with a single scaled-down restaurant. Marriott plans to feature a similar food and beverage facility in its new small hotels, all-suite properties and Courtyard inns.

All are using the money saved through the inclusion of a single small restaurant to build larger and better-appointed guest rooms that can be rented at a lower rate than would otherwise be possible.

The chains are vying to steal away guests for con-

PROJECTED LODGING FOOD AND BEVERAGE SALES

(In Billions)

	1985	1986	% of Change	% of Real Growth
Hotels	\$ 7.5	\$ 8.1	7.7%	3.8%
Motor Hotels	1.3	1.4	7.4	3.5
Motels	2.1	2.2	7.3	3.4
Total	\$10.9	\$11.7	7.6%	3.7%

Source: National Restaurant Association

ventional hotels by offering better price-value. But with all the expansion planned for 1986, conventional hotels may be forced to cut their rates, enhancing their own price-value, to offset all the new competition.

A survey of 82 lodging companies found that each is planning to increase its room supply by an average of 6% to 7% during the coming year, according to John Rohs, an analyst with Wertheim & Co. in New York. Yet he noted that demand for hotel rooms is expected to increase by only 1% to 2% in 1986.

"We thought the foreclosure rate was heavy in the 1970's," said Morris Lasky of Lodging Unlimited, a management company that specializes in turning around bankrupt hotels. "It's nothing compared with what's going on now."

FOCUS | NRN



FORECAST & TRENDS

Turnover replaces shortage as key labor focus

With new recruitment methods proving effective in most areas of the country, food-service operators are shifting some of their attention away from the impending labor crisis to focus on the more immediate problem of high employee turnover.

"It's not something food-service people have been looking at because they hire young people," said William Rogin, president of SHR International, a San Francisco-based management consulting firm. "They bring them in, watch them leave and then bring in more bodies."

"But now there are less young people out there," Rogin continued. "Food-service operators are realizing that they have to keep the ones they find."

With unit customer counts declining, many food-service chains are also realizing that the retention of more employees could have a profound impact on profitability, said Louis Hollweg of Batrus Hollweg, a Dallas-based management consulting firm.

Rogin noted that the annual turnover rate for hourly food-service employees is about 200% to 300%, with \$1,500 to \$2,000 in training expenditures lost every time a worker leaves, and that the rate for managers is about 100%, with each departure costing between \$3,000 and \$4,200.

Hollweg said that one of his food-service clients hires an average of 400 managers a year, spending about \$6,000 to train each one. Yet each manager usually lasts less than 12 months.

"That's \$2.4 million they waste every year," Hollweg said. "If they could cut their turnover by 10%, that's \$240,000 that would go right to the bottom line."

Efforts to realize those savings are evident in the recruitment programs of many chains. Burger King, for instance, has implemented a new campaign called "get all you need to succeed." The program is de-

signed to convince prospective employees that the chain can provide them with as satisfying a long-term career as they would find in any profession.

Golden Corral, the 475-unit steakhouse chain, is striving to retain more of its managers by offering them a stake in the units they operate. Harmon Management, a Kentucky Fried Chicken franchisee, uses the same technique to keep managers and aggressively promotes from within to cut the turnover of hourly employees.

"Eighty per cent of management people grew up from the bottom, and our hourly people see that," said Jackie Trujillo, Harmon's executive vice president of operations.

One of the commonly used techniques is to convert part-time food-service jobs into full-time positions, said Edward F. Walsh of Walsh & Associates, a human-resources consulting company in Westport, Conn. The turnover rate for part timers has traditionally been higher than the rate for full timers.

But Walsh noted that the use of more full timers creates another problem. "Employers have to pay the full-time employees the same rate as part-timers," he explained. "But they also have to pay benefits. That's going to change the cost of keeping employees."

Meanwhile, food-service operators in fast-growing cities, such as Boston, Atlanta, Minneapolis and Phoenix, are sharply raising their pay scales to attract their share of a dwindling labor market.

In Boston, for instance, hourly wages of \$5 or more are no longer the exception. With labor costs so high, "food cost is becoming an incidental expense," said V. J. Catania, president of the Boston-based hospitality group Dan'l Webster Inn/Hearth 'N Kettle Management.

"There are pockets where restaurant employees are hard to find," Hollweg said. "In affluent areas restaurants are having trouble because the local kids don't have to work. And the supply is tight anywhere you have fast growth and low employment."

But on a nationwide basis, "I don't think there is a crisis," said Walsh, echoing the sentiments of many food-service operators and consultants. "The food-service industry has figured out where its personnel should be coming from."

He explained that with fewer young people available, many large food-service companies are filling their labor needs by focusing their recruitment efforts on other segments of the population. "The big chains are doing the same thing as major corporations, recruiting on college campuses," Walsh said. "And they're looking for mature people with three or four years of experience in other businesses who want a career in a fast-growing industry."

Walsh also noted that some chains are modifying jobs to draw more elderly people into the workplace. Rogin said that operators are also offering their employees child-care assistance in an effort to hire more working mothers.

FOOD-SERVICE SALARIES

Job Title	Salary Range	Median Salary
Multunit vice president/general manager	\$55,000-\$76,000	\$74,900
Chain operations director	45,000-63,000	61,700
Multunit regional manager	40,000-55,000	54,100
Chef	30,000-36,000	33,100
Sous chef	24,000-29,000	26,300
Pastry chef	23,000-27,000	25,200
Banquet manager	28,000-32,000	31,300
Chain marketing director	50,000-68,000	67,500
Chain controller	43,000-59,000	58,100
Personnel director	35,000-40,000	38,100
Training manager	29,000-36,000	32,700
Purchasing director	26,000-32,000	29,000

Source: Roth Young Personnel Service

Uphill fight for customers will spur marketing efforts

By Mark Schoifet

With only a slight sales upturn predicted for 1986, more food-service chains will bolster marketing programs as the fight for customers grows increasingly intense.

With consumer spending slowing and with many segments nearing saturation, restaurant chains are turning to their marketing departments for help. Marketing staffs were considered a luxury in the industry 20 years ago. But today the need to sell the restaurant to the consumer is as integral as the menu itself.

"If you have any doubts about the importance of marketing in this business, imagine adding lettuce and tomato to a hamburger and calling it a new product," said Fred Gonzales, senior marketing vice president for Church's Fried Chicken. He was referring to McDonald's new McDLT, the chain's first major new product since Chicken McNuggets and the subject of a recent all-out television advertising blitz.

Led by the Big Three—McDonald's, Burger King and Wendy's—major chains are seeking new creative television advertising this year to break through the "clutter" of fast-food commercials on the small screen. The Big Three account for about 50% of all television advertising by restaurant chains.

Chains that fall below the top tier of big television spenders—such as Arby's, Chi-Chi's and Church's—are likely to continue their recent spate of short-term promotions, especially for

new products, while keeping an eye out for advertising vehicles other than television, which is growing increasingly expensive.

In lodging, chains are learning to market their services after years of complacency. In the past the demand for hotel space traditionally exceeded supply, but overexpansion has led to the arrival of harder times in recent years. Occupancy rates are down an estimated 7% since 1978, and room rates are dropping.

"I call it marketing by necessity—for survival," said Michael A. Levin, president and chief operating officer of Days Inns of America, the nation's largest chain of economy-priced motels.

Marriott, for example, has reduced advertising to concentrate on a new marketing tack—its "Honored Guest" program, modeled after the airline industry's "frequent flyer" incentives. The program allows Marriott to gather detailed information about its frequent customers and to offer, through direct mail, incentives to shop in Marriott's stores and dine in its restaurants.

* * *

In the burger battles among the Big Three, which heated up toward the end of 1985, when McDonald's introduced McDLT nationally, the nation's largest fast feeder is showing no signs of easing its superior advantage in television spending over Burger King and Wendy's. For example, McDonald's spent \$143 million in the first half of

1985, compared with \$64 million for Burger King and \$38 million for Wendy's, according to the Television Bureau of Advertising. For McDonald's, that was a 40% increase over expenditure for the same period in 1984.

McDonald's is also sporting a new look in its television ads this year. The chain has dropped its longstanding aversion to using celebrities by signing sports figures, such as Michael Jordan and William ("The Refrigerator") Perry and soul singers Aretha Franklin and Jerry ("The Iceman") Butler, to name a few.

Moreover, the chain appears to be slowly moving away from its sentimental "food, folks and fun" commercials in favor of uptempo, MTV-like spots with increased product photography. The latest example is the series of commercials introducing McDLT, which are choreographed like a scene from "West Side Story."

There appear to be no plans to drop Leo Burnett's ad theme of "It's a good time for the great taste of McDonald's," which emphasizes both the fun aspect of the old commercials and the newer focus on taste. It allows the chain to produce single-product commercials, such as those for McDLT or McNuggets.

Wendy's appears content to hammer away at competitors that use frozen meat in its "Choose Fresh" commercials, which were unveiled in 1985 and will continue this year. The fresh theme was one of the precepts laid down by founder R. David Thomas in

1969. Wendy's will also keep its sense of humor, which was plainly evident in Joe Sedelmaier-directed commercials, such as "Where's the Beef?" and the most recent "Fashion Show."

"We would like to have everything kind of humorous, because you can get a lot of points over the humor," Thomas, now senior chairman, said in a recent interview.

No. 2 Burger King, on the other hand, is struggling to regain the momentum it enjoyed during the "Battle of the Burgers" days of 1982-83. Chain executives are working with agency J. Walter Thompson to create a radically new, image-oriented approach that should break by midyear. The chain's current campaign based on the Herb character is described as only an interim step between the old "slam McDonald's and Wendy's" approach and a new thrust.

Chains that cannot compete with the big spenders will be putting their money into promotions and looking for new ways to reach customers. Television has become cost-prohibitive for many chains. For example, the average cost of a 30-second spot on prime-time, network television has risen from \$57,900 in 1980 to \$94,700 in 1985.

Church's, for example, is looking to "piggyback" on major events with promotional tie-ins. Most recently, the chain hooked up with the producers of the film "Rocky IV." The tactic allows Church's to reap some of the benefits of the film's huge advertising budget without a great expenditure.

FINANCIAL NEWS

NRN Index hits record 138.7; gainers top losers 59-35

NEW YORK — Chalking up its eighth week of advances, the *Nation's Restaurant News* Food Service Operators' Stock Index gained 1.1 points in the week ended Dec. 13, closing at 138.7, another record since the market-value NRN Index of 92 issues was established in October 1983.

The breadth of the rally among restaurant stocks widened as 59 stocks on the full, 112-issue NRN listing gained, 35 declined and 18 remained

unchanged in price.

The bellweather Dow Jones Industrials Average in the same week gained 58.03 points, closing at a record 1535.21.

NRN issues trading on heavier volume than their previous 12-week averages outnumbered laggards 45 to 45, with two unchanged.

W. R. Grace & Co., a chemicals maker that owns about 600 restaurants, led the volume-surge list. The 3.4 million shares of stock that

changed hands represented about 1.8% of the company's outstanding shares and 302% heavier volume than normal.

Flakey Jake's, a hamburger restaurant chain, led the percentage-price winners' list, doubling to \$2.75 in the week.

Concept Development, a Godfather's Pizza franchisee, led the percentage-price losers' list, slumping \$2, to \$2.75, a 52-week low.

New highs matched new lows

among NRN Index issues, with seven each.

Among the new highs: Cucos at \$8.25, International Dairy Queen at \$86, National Pizza Co. at \$15.75, Piccadilly Cafeterias at \$27, Sis Corp. at \$6.75, TCBY at \$24, Western Steer at \$14.50.

Among the new lows: Chefs International at 38¢, Folks Restaurants at 75¢, Noble Roman at \$5, One Potato Two at 19¢, Stuff Yer Face at 25¢, TGIF Texas at \$2.

VOLUME TREND LEADERS

(Volume Trend Change, in %)

Grace W R	N	302.2	Folks Rest	O	211.8
Sonesta Int'l	M	285.7	Flakey Jakes	M	199.5
Churchs Fr Ch	N	222.0	Morrison Inc	M	175.2
Pancho Mex Buffet	M	220.1	Primo Inc	O	171.4
Lifestyle Rest	A	213.6	A&M Food Svcs	M	163.5

TOP TEN GAINERS

(Weekly Price Change, in %)

Flakey Jakes	M	100.0	Fuddrucker's Inc	M	19.1
Nankin Express	O	66.7	SIS Cp	M	17.4
Lifestyle Rest	A	41.7	El Pollo Asa	O	14.7
Good Taco	O	37.5	Southland Corp	N	13.9
TCBY Enterprises	M	21.5	Sbarro Inc	A	13.0

TOP TEN LOSERS

(Weekly Price Change, in %)

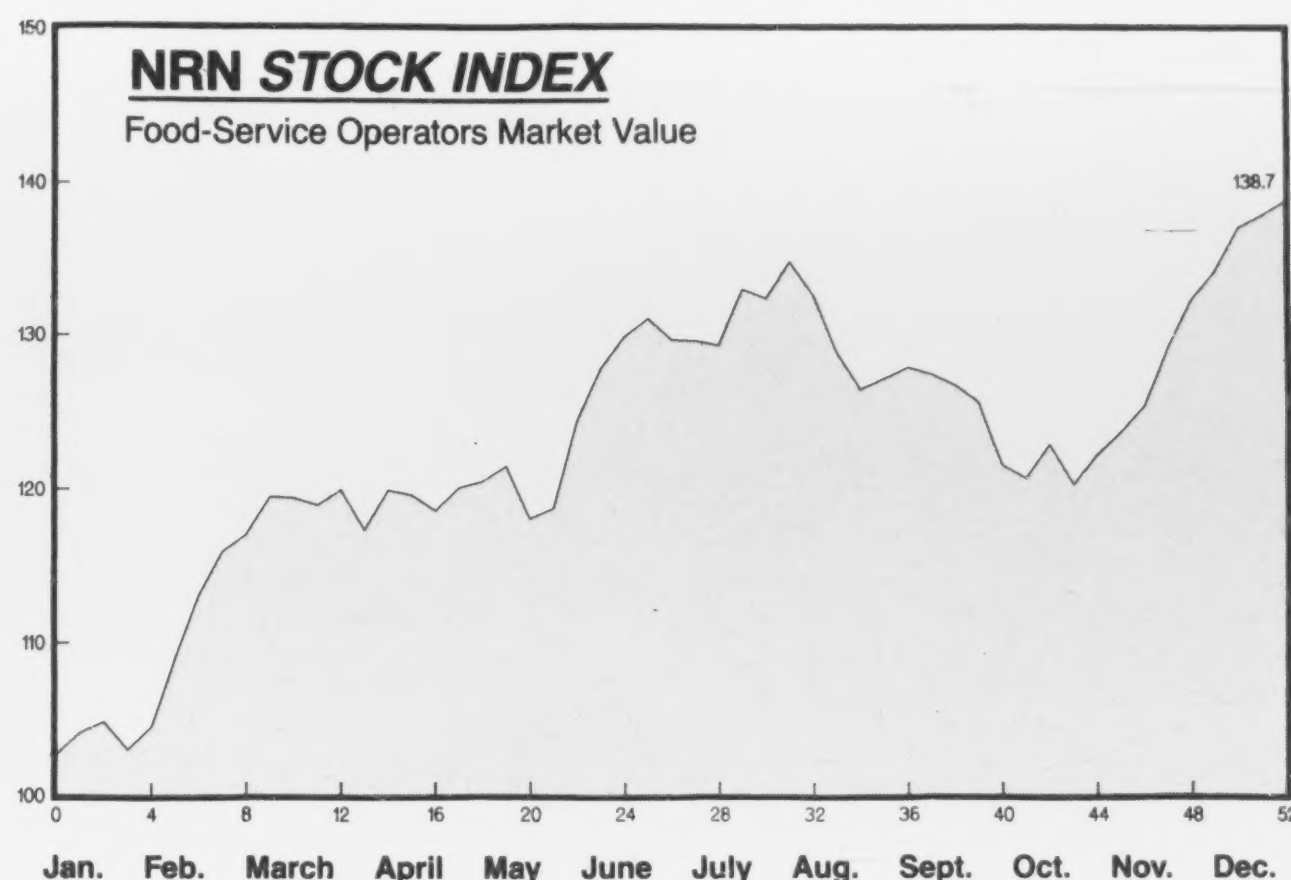
Concept Dev	M	-42.1	Stuff Yer Face	O	-11.1
1 Potato 2	O	-25.0	El Chico	M	-10.6
Swensens Inc	O	-16.7	Noble Roman	O	-9.1
Brock Hotel Cp	N	-15.4	Primo Inc	O	-9.1
Winners Cp	N	-13.7	RAX Restaurants	M	-8.5

Company and Market	Stock Market											Financial Update																		
	Price								Volume			P/E Ratio	Indicated Divd. Rate		Latest Report			Latest Quarter						Year-to-Date						
	12-13-85 Close	Weekly Change		Weekly Range		52-Week Range		Weekly Shares Traded		12-Week Avg. Vol.	Trend		New Report	Period	Date Ended	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.				
		Amt.	Pct.	High	Low	High	Low	Total	% Out	As % Out	Amt.					Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.		
		\$	%	\$	\$	\$	\$	(100)	%	%	%					\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	
Food-Service Operators																														
A&M Food Svcs	M	10.13	.13	1.3	10.25	10.13	10.25	3.50	2,468	6.93	2.63	163.5	17.8	.00	.0	.....	9 mos.	09-85	16.3	101.2	1.2	200.0	.33	200.0	33.5	51.6	2.0	81.8	.55	83.3
Acapulco Rests	M	5.25	.13	2.4	5.25	5.13	5.38	3.50	190	.77	.63	22.2	22.8	.00	.0	.....	9 mos.	07-85	11.3	-40.5	.3	NC	.11	1000.0	31.2	10.2	.3	.0	.12	-14.3
Am Restaurants	M	2.88	-.13	-4.2	3.00	2.50	4.25	2.50	133	.58	.32	81.3	41.1	.00	.0	.....	6 mos.	07-85	5.7	26.7	.1	.0	.05	66.7	10.4	15.6	.1	-50.0	.04	-60.0
Assoc Hosts	M	11.88	-.63	-5.0	12.38	11.63	14.50	10.75	1,173	2.65	3.96	-33.1	25.8	.12	1.0	.....	fiscal	09-85	21.3	-8.6	.1	-87.5	.02	-89.5	89.5	-5.2	2.1	-44.7	.46	-45.9
Benihana Natl	M	12.63	.13	1.0	12.88	12.38	21.75	9.88	524	1.76	4.19	-58.0	11.8	.00	.0	.....	6 mos.	09-85	15.6	51.5	.1	-75.0	.03	-80.0	43.7	79.8	1.2	9.1	.39	.0
Bob Evans Farms	M	21.75	.50	2.4	22.00	21.50	22.75	15.91	2,465	1.38	.86	60.5	19.8	.30b	1.4	.....	6 mos.	10-85	66.2	13.9	5.6	21.7	.31	24.0	128.1	14.3	10.6	17.8	.59	18.0
Caliny Food	M	14.75	.00	.0	15.13	14.75	15.38	8.13	204	.45	2.06	-78.2	20.5	.16	1.1	.....	6 mos.	08-85	16.6	27.7	.7	40.0	.16	33.3	30.2	20.8	1.6	14.3	.35	12.9
Capt Crab	M	.75	-.06	-7.7	0.88	0.75	2.63	.69	1,382	.90	1.01	-10.9	NE	.00	.0	.....	fiscal	08-85	7.4	335.3	(2.3)	NE	(.13)	NE	12.6	133.3	(3.7)	NE	(.23)	NE
Carrols Cp	N	7.50	-.25	-3.2	8.00	7.38	11.50	6.50	682	.88	.66	33.3	11.9	.10	1.3	.....	3 mos.	08-85	39.8	4.7	1.5	-28.6	.20	-28.6	39.8	4.7	1.5	-28.6	.20	-28.6
Chefs Intl	O	.38	.00	.0	0.50	0.38	.88	.38	1,209	.62	.64	-3.1	NE	.00	.0	.....	6 mos.	07-85	5.5	-5.2	.0	NE	.00	NE	10.8	-8.5	.0	NE	.00	NE
Chi-Chi's	M	9.38	-.25	-2.6	9.63	9.25	14.38	8.50	10,446	3.87	2.69	43.9	17.7	.00	.0	.....	6 mos.	10-85	68.1	42.8	3.5	-22.2	.13	-18.8	133.2	41.3	8.0	-15.8	.30	-14.3
Chili's Inc	M	23.75	.88	3.8	23.75	22.63	28.88	20.25	1,215	2.38	6.30	-62.2	25.5	.00	.0	.....	3 mos.	09-85	25.3	68.7	1.3	44.4	.26	23.8	25.3	68.7	1.3	44.4	.26	23.8
Churchs Fr Ch	N	18.75	1.00	5.6	19.50	17.00	20.25	14.13	53,403	14.17	4.40	222.0	16.3	.44	2.3	.....	9 mos.	09-85	136.3	10.3	9.9	-4.8	.26	-7.1	389.3	11.0	29.0	3.2	.77	2.7
Collins Foods	N	14.50	-.38	-2.5	15.13	14.38	16.69	9.34	3,547	1.79	1.66	7.8	14.8	.12	.8	.....	6 mos.	10-85	132.8	16.2	5.8	13.7	.28	7.7	269.2	17.4	11.4	15.2	.56	12.0
Concept Dev	M	2.75	-2.00	-42.1	4.75	2.50	16.75	2.75	597	1.15	1.80	-36.1	NE	.00a	.0	.....	fiscal	06-85	10.5	-26.1	(1.9)	-100.0	(.36)	-100.0	40.7	-2.6	(3.1)	-100.0	(.59)	-100.0
Consol Prdts	M	3.25	.00	.0	3.38	3.13	5.38	3.13	139	.43	.35	22.9	NC	.08	2.5	.....	fiscal	09-85	20.4	24.4	(.2)	-100.0	(.06)	-100.0	70.6	4.1	.0	-100.0	.00	-100.0
Consul Restaurant	M	2.50	-.19	-7.0	2.63	2.25	6.50	1.50	1,037	2.28	2.71	-15.9	NE	.00	.0	.....	3 mos.	08-85	21.9	3.8	.1	NC	.02	100.0	21.9	3.8	.1	NC	.02	100.0
Cracker Barrel	M	14.25	.00	.0	14.50	13.50	16.00	10.25	479	1.34	1.58	-15.2	19.5	.14	1.0	.....	3 mos.	10-85	20.3	22.3	1.0	25.0	.28	7.7	20.3	22.3	1.0	25.0	.28	7.7
Cucos Inc	O	8.25	.25	3.1	9.00	8.00	8.25	3.00	75	.43	.43	.0	45.8	.00	.0	.....	3 mos.	09-85	2.8	64.7	.1	NC	.05	66.7	2.8	64.7	.1	NC	.05	66.7
DLites Of Amer	M	5.38	-.13	-2.3	5.63	5.25	15.50	3.75	2,420	4.75	6.96	-31.8	NE	.00	.0	.....	6 mos.	09-85	4.9	113.0	(3.4)	-100.0	(.67)	-100.0	10.8	129.8	(3.2)	-100.0	(.62)	-100.0
Dunkin Donuts	M	24.38	.38	1.6	24.75	24.25	25.38	14.94	2,003	2.78	2.43	-14.4	17.4	.24	1.0	.....	9 mos.	07-85	24.7	19.9	2.8	21.7	.37	15.6	73.4	17.1	8.2	17.1	1.11	15.6
El Chico	M	7.38	-.88	-10.6	8.13	7.38	12.50	7.25	1,718	3.69	1.49	147.7	9.2	.00	.0	.....	6 mos.	11-85	30.1	49.8	.6	-33.3	.12	-36.8	52.0	26.2	1.6	-11.1	.34	-12.8
El Pollo Asa	O	4.88	.63	14.7	5.00	4.75	6.34	1.84	533	3.16	2.73	15.8	NM	.00	.0	.....	6 mos.	09-85	1.6	220.0	.2	NE	.05	NE	3.0	150.0	.2	NE	.06	NE
El Torito Rest	N	11.75	.00	.0	12.00	11.38	19.25	9.00	835	.75	1.45	-48.3	12.6	.00	.0	.....	9 mos.	09-85	84.2	27.8	2.3	-43.9	.20	-42.9	234.5	24.1	8.5	-5.6	.74	-5.1
Famous Rest	M	1.44	.00	.0	1.44	1.38	3.50	1.25	820	1.37	1.54	-11.0	NE	.00	.0	.....	9 mos.	09-85	11.9	-3.3	.0	NE	.01	NE	40.5	-3.6	.3	NE	.06	NE
Fast Food Oper	O	.75	-.06	-7.7	0.88	0.75	1.00	.44	218	.37	.52	-28.8	37.5	.00	.0	.....	6 mos.	06-85	1.9	-9.5	.1	.0	.01	-50.0	3.7	-2.6	.1	.0	.01	-50.0
Flakey Jakes	M	2.75	1.38	100.0	2.94	1.50	8.25	1.13	8,552	12.31	4.11	199.5	NE	.00	.0	.....	9 mos.	09-85	6.0	81.8	(.8)	NE	(.12)	NE	16.6	151.5	(5.2)	NE	(.75)	NE
Folks Rest	O	.75	.00	.0	1.50	0.75	7.38	.75	80	.53	.17	211.8	NE	.00	.0	.....	6 mos.	06-85	2.2	37.5	.0	NE	.01	NE	3.9	56.0	(.3)	NE	(.17)	NE
Frisch's	A	24.00	-.63	-2.5	24.50	23.63	25.00	14.56	153	.34	.22	54.5	25.8	.21b	.9	.....	3 mos.	08-85	41.0	2.8	.9	-47.1	.19	-48.6	41.0	2.8	.9	-47.1	.19	-48.6
Fuddrucker's Inc	M	7.00	1.13	19.1	7.13	5.88	13.00	4.63	3,434	5.08	3.87	31.3	77.8	.00	.0	.....	9 mos.	09-85	14.7	110.0	.1	-83.3	.01	-88.9	38.6	136.8	.6	NC	.09	NC
Good Taco	O	.69	.19	37.5	0.72	0.50	.94	.16	958	4.50	4.03	11.7	NE	.00	.0	.....	3 mos.	05-85	.1	-75.0	(.7)	NE	(.33)	NE	.1	-75.0	(.7)	NE	(.33)	NE
Hambrg Hamlet	O	14.00	.00	.0	14.75	14.00	15.25	12.50	10	.14	.26	-46.2	8.0	.00	.0	.....	6 mos.	09-85	9.5	-2.1	.3	-25.0	.39	-33.9	18.9	-2.1	.7	-12.5	.97	-17.1
Intl Dairy Queen	O	86.00	5.00	6.2	90.50	81.00	86.00	40.50	22	.11	.18	-38.9	18.7	.00	.0	.....	9 mos.	08-85	52.0	27.5	4.2	20.0	2.14	32.9	127.6	19.8	8.1	20.9	4.06	34.0
Intl King Tab	M	20.00	.25	1.3	20.13	19.63	24.75	14.88	211	.73	3.23	-77.4	13.0	.00a	.0	.....	3 mos.	09-85	18.9	-1.6	1.1	.0	.38	5.6	18.9	-1.6	1.1	.0	.38	5.6
JB Restaurant	M	11.38	-.63	-5.2	12.13	11.38	15.50	9.13	2,093	4.38	3.10	41.3	19.0	.16	1.4	.....	fiscal	09-85	26.7	37.6	.6	-40.0	.12	-57.1	96.2	41.3	2.4	-17.2	.60	-25.9
Jerrico Inc	M	22.75	.13	.6	22.75	22.25	24.25	16.00	4,728	2.98	3.54	-15.8	15.6	.16	.7	.....	3 mos.	09-85	139.7	5.9	7.2	14.3	.45	12.5	139.7	5.9	7.2	14.3	.45	12.5
Kapok Cp	A	3.50	-.13	-3.4	3.63	3.38	4.38	2.13	239	.98	.99	-1.0	2.1	.00	.0	.....	9 mos.	06-85	3.8	-40.6	1.1	NE	.40	NE	14.6	-15.6	4.9	NE	2.01	NE
Karcher Carl	M	15.63	-.25	-1.6	16.13	15.25	19.00	13.50	2,504	3.54	1.85	91.4	21.7	.00	.0	.....	6 mos.	07-85	79.1	-2.0	1.5	-65.1	.21	-65.0	174.6	-2.3	2.3	-73.9	.32	-74.2
Lifestyle Rest	A	2.13	.63	41.7	2.25	1.50	3.00	1.38	1,049	1.85	.59	213.6	NE	.00	.0	.....	9 mos.	07-85	18.1	-4.7	(.6)	NE	(.12)	NE	59.8	-9.7	(4.8)	NE	(.85)	NE
Luby's Cafe	N	39.38	-.38	-.9	40.38	38.88	41.50	26.50	808	.67	.41	63.4	24.5	.60	1.5	.....	fiscal	08-85	51.5	7.5	5.8	18.4	.47	14.6	196.0	14.7	19.6	14.0	1.61	12.6
Marcus Corp	M	19.50	.38	2.0	19.75	19.13	19.63	13.88	262	.52	.37	40.5	11.7	.30	1.5	.....	3 mos.	08-85	36.1	7.8	3.2	14.3	.62	12.7	36.1	7.8	3.2	14.3	.62	12.7
Marriott Corp	N	111.88	5.00	4.7	113.00	106.50	113.00	70.50	1,802	.69	.78	-11.5	18.8	.54	.5	.....	9 mos.	09-85	969.0	16.2	44.8	17.0	1.67	16.8	2845.5	18.4	115.6	20.4	4.30	21.5
Maverick Rest	M	1.50	.00	.0	1.63	1.50	4.00	1.25	304	.61	.30	103.3	NE	.00	.0	.....	9 mos.	10-85	3.5	16.7	.1	.0	.01	-66.7	9.9	19.3	.0	-100.0	(.01)	-100.0
Max & Erma's	O	1.38	.00	.0	1.63	1.38	4.75	.88																						

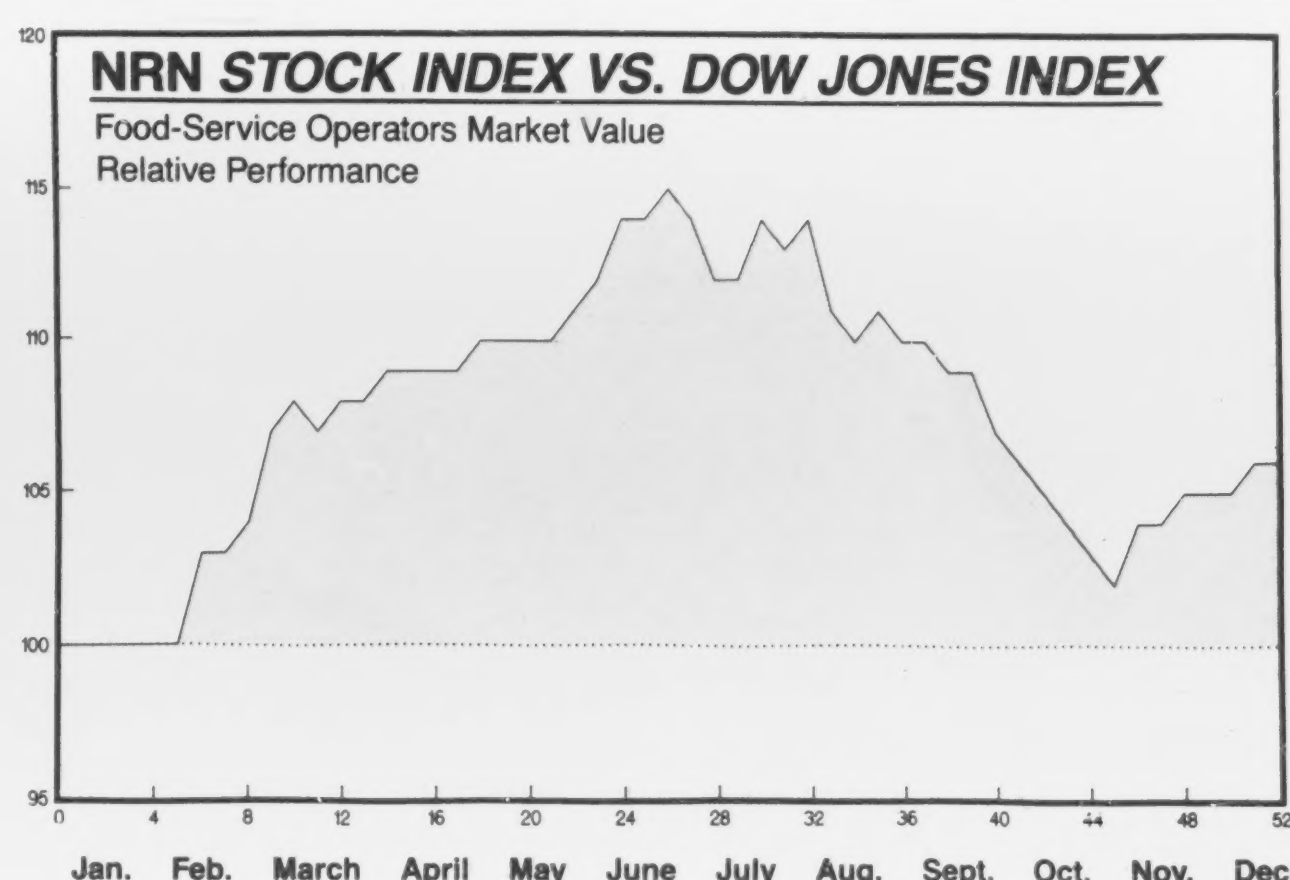
FINANCIAL NEWS

NRN STOCK INDEX

Food-Service Operators Market Value



NRN STOCK INDEX VS. DOW JONES INDEX

Food-Service Operators Market Value
Relative Performance

Source: Media General Financial Services

Oct. 28, 1983 = 100

Company and Market	Stock Market											Financial Update																		
	Price								Volume			P/E Ratio	Indicated Divd. Rate		Latest Report			Latest Quarter						Year-to-Date						
	12-13-85 Close	Weekly Change		Weekly Range		52-Week Range		Weekly Shares Traded		12-Week Avg. Vol.	Trend		Report	Period	Date Ended	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.				
		Amt.	Pct.	High	Low	High	Low	Total	% Out	As %						% Out	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.		
		\$	%	\$	\$	\$	\$	(100)	%	%						%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%		
RAX Restaurants	M	6.75	-.63	-8.5	7.63	6.75	11.00	5.00	928	1.35	1.25	8.0	NE	.00	.0	.....	3 mos.	10-85	32.1	9.6	.3	-66.7	.04	-69.2	32.1	9.6	.3	-66.7	.04	-69.2
Rest Assoc	A	6.38	.25	4.1	6.63	5.88	6.88	3.84	164	.58	.79	-26.6	12.5	.10	1.6	.....	9 mos.	09-85	35.9	2.6	1.2	200.0	.28	180.0	104.9	7.3	1.5	50.0	.37	48.0
Rest Mgmt	M	13.25	1.00	8.2	13.25	13.00	15.00	6.75	887	4.18	3.13	33.5	19.2	.09	.7	.....	fiscal	10-85	8.6	30.3	.4	33.3	.15	-6.3	35.3	33.7	1.9	35.7	.69	6.2
Rest Systems	M	19.50	-.50	-2.5	20.25	19.50	20.38	11.75	237	1.02	1.96	-48.0	23.5	.00	.0	.....	9 mos.	09-85	9.1	11.0	.3	-50.0	.16	-36.0	29.2	9.4	1.4	-12.5	.62	-8.8
Ritzys G D	M	1.31	.13	10.5	1.31	1.13	3.63	1.13	1,261	2.43	1.09	122.9	NE	.00	.0	.....	9 mos.	09-85	3.8	-13.6	(3.1)	NE	(.60)	NE	10.7	.9	(4.1)	NE	(.79)	NE
Rusty Pelican	M	11.75	.38	3.3	11.75	11.13	17.25	10.25	630	2.23	1.78	25.3	14.3	.00	.0	.....	3 mos.	10-85	14.3	34.9	.3	.0	.10	-28.6	14.3	34.9	.3	.0	.10	-28.6
Ryan's Fam	M	22.00	-.75	-3.3	22.25	21.50	23.75	12.00	1,798	2.59	3.23	-19.8	31.9	.00	.0	.....	9 mos.	09-85	13.1	-27.2	1.3	85.7	.19	72.7	36.0	11.1	3.7	60.9	.53	51.4
Saga Corp	N	25.38	.00	.0	25.63	24.63	34.25	20.75	2,039	1.64	1.96	-16.3	12.9	.52	2.0	.....	3 mos.	09-85	310.9	14.5	2.6	-54.4	.20	-52.4	310.9	14.5	2.6	-54.4	.20	-52.4
Sandwich Chef	M	8.50	.38	4.6	8.50	8.13	8.88	6.88	149	1.18	.86	37.2	14.9	.00	.0	.....	3 mos.	09-85	7.3	5.8	.2	.0	.16	.0	7.3	5.8	.2	.0	.16	.0
Sbarro Inc	A	19.50	2.25	13.0	20.13	16.50	20.13	11.13	549	1.44	.97	48.5	NA	.00	.0	.....	.....	00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Sea Galley	M	4.25	.25	6.3	4.38	4.00	9.50	3.75	1,092	3.45	3.62	-4.7	3.2	.00	.0	.....	9 mos.	09-85	14.6	-7.0	.1	-95.7	.05	-91.4	44.5	-7.9	2.4	-54.7	.75	-44.4
Shoney's Inc	M	29.00	.50	1.8	29.25	28.38	31.88	22.13	6,200	2.18	1.65	32.1	23.2	.15	.5	.....	9 mos.	07-85	134.2	13.9	10.4	26.8	.36	20.0	413.8	14.9	27.6	26.0	.96	20.0
Shoney's South	M	12.88	1.00	8.4	12.88	12.13	15.88	10.00	1,468	2.61	1.68	55.4	12.1	.00	.0	.....	9 mos.	09-85	43.7	10.1	1.7	-5.6	.30	-6.3	138.1	9.4	4.7	-19.0	.81	-19.0
SIS Cp	M	6.75	1.00	17.4	6.75	6.25	6.75	3.25	123	.79	.79	.0	NE	.00	.0	.....	9 mos.	09-85	4.0	90.5	.1	NE	.06	NE	9.9	76.8	.0	NE	.00	NE
Sizzler Rest Intl	M	17.00	.25	1.5	17.00	16.50	17.75	9.16	689	.67	1.40	-52.1	15.9	.00	.0	.....	6 mos.	10-85	44.0	12.5	3.1	24.0	.29	20.8	90.4	14.3	6.1	22.0	.59	20.4
Skippers	M	10.38	-.13	-1.2	10.63	10.00	12.50	8.75	591	2.17	3.62	-40.1	10.9	.08	.8	.....	9 mos.	09-85	17.2	18.6	.6	20.0	.21	16.7	48.7	15.1	1.7	6.3	.62	3.3
So Hospitality	M	4.50	.00	.0	4.50	4.38	5.88	3.75	577	1.16	1.52	-23.7	10.7	.00	.0	.....	3 mos.	08-85	12.2	14.0	.7	75.0	.15	87.5	12.2	14.0	.7	75.0	.15	87.5
Stuff Yer Face	O	.25	-.03	-11.1	0.28	0.25	1.44	.25	1,429	.94	.51	84.3	NE	.00	.0	.....	3 mos.	06-85	.8	60.0	(.1)	NE	(.01)	NE	.8	60.0	(.1)	NE	(.01)	NE
Swensens Inc	O	1.25	-.25	-16.7	1.63	1.25	3.13	1.00	243	.45	.35	28.6	NE	.00	.0	.....	9 mos.	09-85	2.8	-78.0	.1	-50.0	.02	-50.0	8.6	-52.2	(.2)	-100.0	(.02)	-100.0
Taco Villa	O	4.25	.25	6.3	4.75	4.00	7.75	3.25	33	.04	.08	-50.0	60.7	.00	.0	.....	9 mos.	09-85	22.4	211.1	(.3)	-100.0	(.04)	-100.0	56.5	162.8	.0	-100.0	.00	-100.0
Taco Viva	M	3.13	-.13	-3.8	3.38	3.13	7.50	3.13	147	.43	.77	-44.2	26.0	.00	.0	.....	3 mos.	08-85	6.3	-4.5	.0	-100.0	(.01)	-100.0	6.3	-4.5	.0	-100.0	(.01)	-100.0
TGI Friday's	N	8.38	.25	3.1	8.50	7.88	12.38	7.00	1,284	1.13	.48	135.4	12.9	.00	.0	.....	9 mos.	09-85	79.7	9.3	1.7	-22.7	.09	-30.8	236.1	12.8	8.7	.0	.48	.0
TGIF Texas	O	2.00	.00	.0	2.50	2.00	2.38	2.00	50	.33	.21	57.1	NE	.00	.0	.....	6 mos.	06-85	3.3	13.8	(.2)	NE	(.13)	NE	6.5	18.2	(.4)	NE	(.28)	NE
TCBY Enterprises	M	24.00	4.25	21.5	24.25	20.00	24.00	3.03	4,813	6.63	4.90	35.3	66.7	.00	.0	.....	9 mos.	08-85	6.0	233.3	1.2	200.0	.17	240.0	12.3	215.4	2.2	214.3	.32	220.0
Transworld	N	39.25	-.50	-1.3	40.13	37.50	43.25	28.25	10,129	2.84	3.03	-6.3	13.5	.48	1.2	.....	9 mos.	09-85	487.4	-4.7	36.8	1.4	.96	-10.3	1496.9	1.2	83.9	-1.9	2.15	-10.0
USACafes	M	5.13	.25	5.1	5.13	4.88	6.00	3.25	1,397	2.22	1.85	20.0	12.8	.28	5.5	.....	fiscal	09-85	6.0	50.0	.8	60.0	.14	55.6	19.9	25.2	2.5	19.0	.40	5.3
Vicorp Restaurants	M	20.63	1.13	5.8	20.88	19.75	28.25	14.25	6,597	7.83	5.06	54.7	18.4	.12	.6	.....	9 mos.	07-85	93.9	39.3	3.1	14.8	.33	-19.5	286.4	85.5	5.9	1.7	.67	-23.0
Victoria Stations	M	.94	.00	.0	0.94	0.88	4.38	.56	740	1.61	3.43	-53.1	NE	.00	.0	.....	6 mos.	09-85	20.1	-9.5	(3.2)	NE	(.72)	NE	40.6	-11.5	(5.2)	NE	(1.23)	NE
Wendys Intl	N	17.00	.00	.0	17.25	16.63	19.13	12.38	9,859	1.34	1.71	-21.6	16.7	.24	1.4	.....	9 mos.	09-85	303.3	21.8	20.8	10.6	.28	7.7	830.2	19.5	57.6	12.7	.78	11.4
Wstn Steer	M	14.50	1.50	11.5	14.50	11.50	14.50	9.00	111	.91	.36	152.8	12.6	.20	1.4	NEW	9 mos.	11-85	12.6	12.5	.5	400.0	.39	680.0	35.8	15.5	1.2	140.0	.93	144.7
Winners Cp	N	7.88	-.125	-13.7	9.63	7.38	9.63	5.13	3,502	8.71	3.47	151.0	NE	.00	.0	.....	9 mos.	09-85	31.6	15.8	(1.5)	-100.0	(.37)	-100.0	83.5	4.8	(1.9)	-100.0	(.47)	-100.0
Hotels, Motels, and Casinos																														
Brock Hotel Cp	N	.69	-.13	-15.4	0.88	0.56	4.00	.56	3,211	2.27	1.18	92.4	NE	.10	14.5	.....	9 mos.	09-85	55.8	-8.5	(39.1)	NE	(2.81)	NE	184.5	-8.8	(39.0)	NE	(2.80)	NE
Hilton Hotels	N	66.25	.25	.4	67.38	65.63	73.50	55.25	1,367	.55	1.60	-65.6	14.3	1.80	2.7	.....	9 mos.	09-85	169.2	-17.6	20.4	-16.0	.82	-11.8	528.1	4.6	71.4	5.0	2.87	12.1
Holiday Cp	N	59.25	2.50	4.4	59.25	55.63	59.25	40.38	6,857	2.52	1.87	34.8	12.7	1.00	1.7	.....	9 mos.	09-85	489.8	3.4	50.8	2.2	1.83	33.6	1387.3	4.4	116.7	5.7	4.07	35.7
Prime Mtr Inn	N	37.38	.13	.3	38.13	36.88	39.00	17.25	1,655	.85	1.14	-25.4	27.1	.09	.2	.....	3 mos.	09-85	74.5	55.5	7.8	34.5	.40	33.3	74.5	55.5	7.8	34.5	.40	33.3
Ramada Inns	N	7.75	.13	1.6	7.75	7.50	9.50	5.25	7,340	1.97	2.25	-12.4	29.8	.00	.0	.....	9 mos.	09-85	157.1	1.3	10.5	75.0	.28	75.0	444.5	-.4	11.5	69.1	.31	72.2
Servico Inc	M	23.25	-1.25	-5.1	24.25	23.00	26.25	13.44	249	.65	1.09	-40.4	17.4	.00a	.0	.....	9 mos.	09-85	42.3	-13.5	.9	-73.5	.23	-74.4	135.4	-2.7	5.1	-17.7	1.34	-18.3
Sonesta Intl	M	24.25	1.75	7.8	25.50	22.50	27.00	19.50	41	.27	.07	285.7	6.7	.40	1.6	.....	9 mos.	09-85	19.8	-5.3	.0	NE	(.01)	NE	52.7	-7.9	(.3)	NE	(.21)	NE
Other Companies with Food-Service Operations																														
Allegheny Bev	M	23.63	.75	3.3	24.13	23.25	24.13	15.00	2,866	4.62	3.99	15.8	NE	.40	1.7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Ch Full O Nut	N	8.50	-.13	-1.4	8.63	8.13	11.41	7.03	745																					